

Section 10: Glossary

Accident	An undesired event that results in harm to people, damage to property or loss to process.
Actual Cash Value	Replacement cost of property at the time of loss, less depreciation based on age, condition, time in use, and obsolescence.
Additional Insured	A person or entity other than the named insured who is protected by the policy, often in regard to a specific interest.
Adjuster	A person who settles claims for insurers.
Advertising Injury	Provides coverage for libel, slander, disparagement, violation or privacy, misappropriation of ideas, or infringement of copyright.
Aggregate	Cumulative. An aggregate limit of \$1 million means that when the total of all claims in a year reaches \$1 million, coverage ceases.
All States Endorsement	Automatically extends statutory workers compensation coverage to states where the contractor's new operations are added during the policy term.
Appraisal	An evaluation of a property item prepared according to certain standards for specific usage. Such an evaluation may be based on replacement value, actual cash value, or market value.
Apportionment Clause	A provision that establishes the amount each insurer must pay if more than one policy is involved in a loss.
Appreciation	The amount by which property values increase as a result of various economic factors.
Assault	Threat to inflict injury. It may or may not include battery (actual bodily injury).
Attractive Nuisance	Conditions of a property that tends to attract children; for example, a sand pile or structures that can be climbed. Owners must take reasonable precautions to protect children, even though they illegally trespass onto the property.

Audit, Insurance	A survey of the insured's records to determine the premium due the insurer.
Audit, Loss Control	A survey of physical premises to identify hazards, implement loss prevention efforts, assess the adequacy of resources devoted to loss prevention, and evaluate current loss prevention programs.
Bailee	A person or entity having custody of property of others. Examples are warehouses, railroads, and laundries. Bailees for hire have certain responsibilities for safety of property in their custody.
Battery	Use of force against a person.
Binder	A temporary insurance contract pending execution of the policy contract. Except for specified differences, the terms of the binder are, by implication, those of the contract that is intended to replace it.
Blanket Policy	An insurance policy that in a single contract insures a number of locations or risks against the same perils for a single limit of coverage.
Bodily Injury	Injury, sickness, or disease sustained by a person, including death resulting therefrom. See also Personal Injury.
Boiler and Machinery	Coverage for the loss arising out of the operation of pressure, mechanical and electrical equipment. It may cover loss to the boiler and machinery itself, damage to other property, business interruption losses, and inspection services.
Bond Bid	A guarantee that a contractor will enter into a contract on which he has bid if it is awarded to him and will furnish a contract bond as required by the terms of the contract.
Bond Fidelity	A promise to make good financial loss due to the dishonesty of employees; a financial guarantee of the performance of an implied obligation.

Breach	Failure to live up to the warranties or conditions of an insurance contract. For example, a fire sprinkler warranty is breached if the sprinklers are not operational, if the failure is from conditions under the insured's control.
Builder's Risk Insurance	Coverage to protect a building in course of construction.
Business Interruption Insurance	Pays for loss of profits and certain continuing expenses, if a covered peril interrupts normal operation of a business. Once called use and occupancy insurance.
Cancellation	The termination of an insurance policy or bond before it's expiration by the insured or insurer.
Carrier	An insurance company.
Certificate of Insurance	A certificate is a form used to convey information (valid only as of the date it is issued) regarding the client's insurance coverages. It does not confer rights upon a certificate holder or alter, extend, or amend policy coverage.
CGL – Commercial General Liability Coverage	Principal form of liability insurance for businesses that provides coverage for bodily injury and property damage, personal and advertising injury, contractual, products and completed operations on an occurrence basis.
Chattel	Personal or movable property.
Claim	The amount of damage for which a third party seeks reimbursement from the insured and/or insured seeks reimbursement from his or her insurance company. Once the amount has been determined, it becomes a loss. Claim and loss are often used interchangeably. Self-insured losses are often called claims.
Claims-Made Coverage	Liability insurance that provides coverage for a claim that is made during the policy period.
Collision Insurance	Insurance against loss to insured property caused by striking or being struck by an object; includes loss caused by upset.

Comparative Negligence (Versus Contributory)	In many states, damages for bodily injury or property damage caused by another's negligence are assessed according to the ratio of each party's negligence. If three parties are involved in an accident, and they are respectively 10 percent, 20 percent and 70 percent negligent, payment of damages would be charged in accordance with these ratios. Under the law of contributory negligence, which still prevails in some states, no recovery is possible if the injured person has in any degree contributed to the accident.
Completed Operations	Liability coverage for a contractor for liability that may occur from improperly performed work after project is completed.
Comprehensive	Covers any direct and accidental loss or damage to described owned automobiles, except that caused by collision or upset.
Concealment	Failure to disclose a material fact when applying for insurance. Concealment may void an insurance contract.
Consequential Loss	A loss not directly due to a peril, but caused indirectly as a consequence of that peril. For example, spoilage of frozen foods is a loss consequent upon power failure.
Contingent Liability	Liability for damages arising out of the acts or omissions of others, not employees or agents.
Contractual Liability	Coverage for liability assumed under contract.
Coverage	A term used to designate the type of protection provided by an insurance policy.
Cross Liability	Insurance provision that provides coverage for suits of one insured against another. It is related to severability of interest in that each insured is treated as if the policy applied separately to each; however, the policy will pay no more than the total policy limits. Policies tend to be silent of cross liability. Check to make sure it is not excluded by endorsement.
Deductible	An amount of loss to be absorbed by the insured before an insurer becomes liable for payment.

Defense Costs	Fees and expenses generated by and related to the adjustment, investigation, defense, or litigation of a claim, including attorney's fees, court costs, and interest on judgments before they are paid.
Depreciation	For insurance purposes, the amount by which a property has decreased in value due to age, use, market conditions, obsolescence, and so on. Differs greatly from depreciation used for tax purposes.
Direct Loss	Loss resulting directly and immediately from the hazard insured against.
Directors and Officers Liability	Liability that may be incurred by directors or officers of an organization due to acts that result in financial loss to corporate stockholders or outside persons. Such liabilities are not insured by conventional liability policies because such acts are not "occurrences" as defined in the policy and do not result in bodily injury or injury to tangible property.
Dram Shop Liability	Liquor law liability.
Effective Date	The date on which an insurance binder or policy goes into effect; starting date.
Embezzle	To fraudulently appropriate money or property in one's care.
Employee	All present or former officers or employees of the State or any of its agencies, departments, commissions, or boards, or persons acting on behalf of such agencies, departments, boards, or commissions in an official capacity, temporarily or permanently, with or without compensation. The term does not include an independent contractor.
Employer's Liability	Liability insurance for employers to protect against bodily injury claims resulting from accident or disease of employees not covered by workers compensation. Examples: Employee rejects or is excluded from workers compensation; injuries not covered by workers compensation; suit by spouse; injuries in federal jurisdiction or monopolistic states.

Endorsement	An amendment to an insurance policy that in some way modifies the original contract provisions.
Ergonomics	The science of people at work; fitting the task to the worker.
Errors and Omissions	Commonly referenced as E&O, or professional liability. Applies when requested services require special intellectual ability rather than strict physical activity. Examples: Engineers, accountants, consultants, technology designers/installers, public officials, directors and officers. Medical personnel E&O is often called malpractice coverage.
Excess Insurance	Excess insurance provides coverage after coverage provided by an underlying or primary policy has been exhausted. Excess coverage is designed to respond to large but infrequent losses.
Exclusions	Specific items identified as not being covered under a particular policy.
Exemplary Damages	Punitive damages awarded in addition to compensatory damages to serve as punishment for wanton misconduct or as a deterrent to others. Many states do not allow insurance for such damages.
Experience	The loss record of an insured or of a class of coverage; classified statistics on events connected with insurance, of outgo or of income, actual or estimated.
Exposure Modifier	A situation or condition that lays one open to loss or to the risk of loss.
Extra Expense Insurance	Insurance that pays for extra costs incurred to maintain operations after a loss. Business interruption insurance covers only lost profits and expenses necessary to prevent further profit reduction. Extra expense insurance maintains operations regardless of the relation to profits.
Faithful Performance Bond	A contract whereby a surety guarantees that a principal's failure to perform duties of office will not cause loss to the obligee.
Fidelity Bond	A contract whereby a surety guarantees that dishonest acts of the obligor will not cause loss to the obligee.

Fiduciary	A person or entity entrusted to act for another. For example, the fiduciary of an estate is the executor or administrator.
Floater	A policy covering property at locations other than the insured's.
Follows Form	A requirement that an excess policy to be written with the same terms and conditions as the policy to which it is excess.
Group Insurance	Group insurance provides coverage for a number of people under a single policy.
Hazard	A condition that creates or increases the probability of a loss.
Hold Harmless Agreement	A clause found in contracts and leases that shifts (or attempts to shift) liability for loss from one party to another.
Improvements and Betterments	Improvements paid for by the tenant that improve leased premises.
Incident	An undesired event that, under slightly different circumstances, could have resulted in harm to people, damage to property, or loss to process (a near miss).
Incurred Losses	The total of all losses within a fixed period.
Indemnify, Indemnity	Making "whole" or restoring financially, after a loss.
Indemnity Agreement	Same as a hold harmless agreement.
Inherent Vice	Deterioration or damage from within, without outside influence.
Insurable Interest	The legal interest of value in property, people, or events for which an insured may seek coverage.
Insurance	Insurance is a social device by which risks of financial loss are transferred from one individual to a group. The group guarantees indemnity to each of its participants for insured losses.

Insured	The person who has purchased an insurance policy and is protected by it; sometimes also referred to as the “assured.”
Insurer	The insurance company.
Judgment	The decision of a court or the reason for such decision.
Lapse	Termination of a policy for a nonpayment of premium
Leasehold	The right to occupy premises as set forth in a lease.
Lessee	A tenant who has signed a lease.
Lessor	An owner of property who rents it to others under the terms of a lease.
Liability	A legal obligation, responsibility, or duty to do or refrain from doing something. See also Contractual Liability or Tort Liability.
Liability Insurance	Any form of coverage whereby the insured is protected against claims of other parties arising from specified causes.
Liability Risks	Exposure of people or property to legal risk of loss or damage as a result of a negligent act by some party or the failure of that party to act prudently.
Libel	A written defamatory statement about another.
Limit	The maximum amount the insured can collect under the terms of a policy.
Loss	Any destruction or disappearance of value.
Loss Control	Reducing or eliminating preventable losses.
Malpractice	Professional services that results in harm to the client or patient. May apply to physicians, dentists, lawyers, architects, accountants, engineers, and so on, but usually refers to some bodily as opposed to financial injury. Professional liability is a somewhat broader term that includes bodily injury and financial injury.

Monopolistic State	States that require workers compensation coverage be bought from a state-controlled fund. No private insurers are allowed. Currently those states are North Dakota, Ohio, Washington, West Virginia, and Wyoming.
Moral Hazard	Danger of loss from intentional deed or neglect of the insured rather than from physical cause.
Negligence	The failure to exercise that degree of care that a reasonable person would exercise under the same circumstances.
Occupational Safety and Health Act of 1970 (OSHA)	A federal statute establishing safe and healthy working conditions nationwide. The act sets job safety and health standards enforced by Labor Department safety inspectors and provides for compilation of relevant statistics on work injuries and illnesses.
Occurrence	An accident, act, error, omission, or event that results in injury to people or damages to property.
Occurrence Coverage	Provides liability coverage for occurrences that happen during the policy term even if a claim is made after the policy term expires.
Peril	The cause of a loss insured against in a policy.
Premium	The consideration charged for insuring a particular risk.
Personal Injury	(N.D.C.C. 32-12.2-1 Definition) Includes bodily injury, mental injury, sickness, or disease sustained by a person and injury to a person's rights or reputation. (Insurance definition) Non-bodily injury, such as libel, slander, defamation, false arrest, or so on.
Personal Property	Chattels or property that is not real property. Real property is land and building attached to it.
Pool	Essentially, a cooperative insurance organization to share losses, though not usually formally established as an insurance company.
Power of Attorney	A document authorizing a person to act on behalf of another.

Product Liability	Liability arising out of manufactured goods after they leave the premises. Applies to the manufacturer and those who handle or distribute the goods.
Proof of Loss	A written statement or affidavit of a claim containing all pertinent facts. Required for most property claims.
Property Damage	In liability policies, physical injury to or destruction of tangible property, including loss of use, or loss of use of non-injured property arising from an occurrence as defined.
Proximate Cause	The factor that directly caused a certain accident or situation without other intervening causes.
Punitive Damages	See Exemplary Damages.
Rating, Experience	Computing a premium based on the historical loss experience of the risk.
Real Property	Land and buildings attached.
Replacement Value	The cost to replace something with like kind, quality, and capacity.
Reservation of Rights	Act of an insurer to notify an insured it retains the right to affirm or deny it liability when coverage for a claim appears questionable.
Reserve	An amount set aside to cover the expected amount of loss, or a fund set up as a contingency to cover future losses.
Retained Limit	Deductible.
Risk	The chance or probability of financial loss.
Risk Evaluation	The process of assigning an economic value to a particular loss exposure.
Risk Identification	The process of identifying possible losses to which an entity is exposed.

Risk Management	The process of making and implementing decisions that will minimize the adverse effects of accidental loss.
Risk Treatment	The process of managing loss exposures once the exposures have been identified and evaluated.
Safety Engineering	The process of planning and implementing loss prevention strategies.
Severability of Insurance	Insurance provision that provides that each insured is treated as if the policy and limits applied separately to each, however the policy will pay no more than the total policy limits. Separate limits for each insured is standard language in CGL policies.
Self-Insurance	Retention of risk. Generally refers to a planned program for financing or otherwise recognizing losses. It is not the same as insurance.
Sovereign Immunity	A right reserved by government to preclude action against itself by virtue of its sovereignty and the necessity of making judgments in the interest of the state.
Spoliation	Destruction or severe modification of evidence. (See page 5.1-4)
Standard Policy	A policy generally used or prescribed by law.
Statute of Limitations	The time limit allowed by law to bring legal action.
Stop Gap	Specific form developed to provide employer's liability coverage for the employer's activities in monopolistic workers compensation states when the employer is domiciled in a different state.
Strict Liability	Legal concept applied to certain product liability cases where the manufacturer is responsible for hazardous products whether or not the manufacturer was negligent.
Subrogation	The right of an insurer to recover from a third party an amount paid on a loss when the third party is at fault.

Surety Bond	An agreement providing for monetary compensation if there is a failure to perform specified acts within a stated period. The surety company, for example, becomes responsible for fulfilling a contract if the contractor defaults.
Tail Coverage	Provides for a specific time period after the policy expiration during which the insured can file a claim that occurred but was not reported during the claims-made policy term.
Term	The length of time for which a policy or bond is written.
Theft	Taking property without the owner's consent. A broader term than robbery, burglary, or embezzlement.
Third Party	Someone other than the parties directly involved in an action or transaction; someone other than the insured and the insurer.
Tort Liability	A private or civil legal wrong or injury arising from a duty owed to people generally rather than specifically as by contract.
Umbrella or Excess Insurance	A broad, high-limit liability policy, usually requiring the insured to carry primary or underlying insurance.
Underwriter	A person who accepts or rejects risks on behalf of an insurance company; an insurer.
Uninsured Motorist Laws	State statutes requiring buyers of auto insurance policies to insure to minimum limits against bodily injury to persons in the insured vehicle, if the injury is caused by someone who cannot respond to damages. Sometimes also applies to property damage.
Valuation Clause	Method by which an insurance policy plans to establish value and reimbursement; for example, actual cash value or replacement cost value.
Waiver	The relinquishment of a known right; for example, waiver or subrogation under a fire insurance policy.
Warranty	A statement made by the insured on which the insurer bases the contract of insurance. A breach of warranty usually voids the policy.